L-42- Valuation Basis (Life Insurance - Individual) Chapter on Valuation Basis

a. How the policy data needed for valuation is accessed ?

The required data for valuation in respect of each policy is extracted Branch-wise from policy masters maintained at each Divisional Office. The data extracted in respect of individual policies is checked for consistency and validated by a software developed for this purpose. The validated data is consolidated at Divisional Office level itself and further consolidated at Zonal Office level for offices under its jurisdiction. All such files are sent to Corporate Office for further processing.

b. How the valuation bases are supplied to the system ?

Once the valuation parameters are decided they are keyed in to the system to create explicit parameter file, in a form compatible to the system. The program for calculating reserves takes input from two files, viz. parameter file and policy data file.

I) Interest : Maximum and minimum interest rate taken for each segment	2012-13: Qtr ending 31.03.2013	
	Max	Min
1. Life- Participating policies	8.50% p.a.	6.90% p.a.
2. Life- Non-participating Policies	7.00% p.a.	6.90% p.a.
3. Annuities- Participating policies	8.80% p.a.	7.10% p.a.
4. Annuities – Non-participating policies	7.10% p.a.	7.10% p.a.
5. Annuities- Individual Pension Plan	7.75% p.a.	7.75% p.a.
6. Unit Linked	6.90% p.a.	6.90% p.a.
7. Linked Health	6.90% p.a.	6.90% p.a.
8. Non-linked Health	6.90% p.a.	6.90% p.a.
	0.00 /0 p.u.	0.0070 p.u.
II) Mortality Rates : the mortality rates used for each segment	2012-13: Qtr ending 31.03.2013	
	IALM(1994-96) mod. Ult.	
1. Life- Participating policies	rated	l up by 2 years
		994-96) mod. Ult.
2. Life- Non-participating Policies	rated up by 2 years	
3. Annuities- Participating policies		
During Deferment	IALM(1994-96) mod. Ult. rated up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
4. Annuities – Non-participating policies		j ču.
During Deferment	IALM(1994-96) mod. Ult. rated up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
5. Annuities- Individual Pension Plan		1
During Deferment	IALM(1994-96) mod. Ult. rated up by 1 year	
After Vesting	LIC a (1996-98) Ult. rated down by 1 year	
6.Non-linked Health (Mortality Rate)	IALM(1994-96) mod. Ult. rated up by 2 years	
(Morbidity Rates)	HCB & MSB: 135% of Swiss Re Incidence Rates	
7. Unit Linked		
Under Plans 191,193, 194 & 197	125% of IALM (1994-96) mod. Ult.	
All linked plans except above	IALM(1994-96) mod. Ult. rated up by 2 years	
8.Linked Health (Mortality Rate)		NIL
(Morbidity Rates)	HCB & MSB: 135% of Munich Re Incidence Rates	

1. Life- Participating policies 1. Life- Participating policies Premium Related For premium paying ₹42 For reduced & fully paid-up ₹21 2. Life- Non-participating Policies Premium Related (12.20% for Jegen for other Plans For Term Assurance Plans for other Plans NB related Policy Related (₹ 150/- for Jegen for other Plans For premium paying for other Plans State Policy Related (₹ 150/- for Jegen for other Plans For reduced & fully paid-up for other Plans State Policy Related (₹ 150/- for Jegen for other Plans State For reduced & fully paid-up for other Plans State For reduced & fully paid-up for other Plans State For reduced & fully paid-up for other Plans For reduced & fully paid-up for other Plans State State Fo	tr ending 31.03.2013 5% of premium 20/- per policy 10/- per policy eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
1. Life- Participating policies Premium Related 7.75 Policy Related 7.75 Policy Related 7.75 2. Life- Non-participating Policies 7.21 Premium Related 7.75 Premium Related 7.75% of prem For Term Assurance Plans 7.75% of prem Policy Related 7.75% of prem NB related 7.75% of prem Server Policy Related 7.75% of prem NB related 7.75% of prem Server premium paying (₹ 150/- for Jege For reduced & fully paid-up for ot 3. Annuities- Participating policies ₹ 110/-	20/- per policy 10/- per policy eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
Premium Related 7.75 Policy Related 7.75 Policy Related 7.75 For premium paying ₹ 42 For reduced & fully paid-up ₹21 2. Life- Non-participating Policies (12.20% for Jette for other Plans Premium Related (12.20% for Jette for other Plans For Term Assurance Plans 7.75% of prem NB related 7.75% of prem Policy Related (₹ 150/- for Jette for other Plans For premium paying for other other plans State For premium paying To the policy Related (₹ 150/- for Jette for other plans State For reduced & fully paid-up for ot (₹ 150/- for Jette for other plans State For premium paying for ot (₹ 150/- for Jette for other plans State For premium paying for ot (₹ 150/- for Jette for other plans State For premium paying for ot (₹ 150/- for Jette for other plans for ot	20/- per policy 10/- per policy eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
Policy Related For premium paying ₹ 42 For reduced & fully paid-up ₹21 2. Life- Non-participating Policies (12.20% for Jette for the premium Related) Premium Related (12.20% for Jette for the premium Related) For Term Assurance Plans for othe premium Related for the policy Related Policy Related (₹ 150/- for Jette for the paying for ot premium paying for ot premium paying for ot premium paying for ot premium paying for ot the payment	20/- per policy 10/- per policy eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
For premium paying ₹ 42 For reduced & fully paid-up ₹21 2. Life- Non-participating Policies (12.20% for Jette for other Plans Premium Related (12.20% for Jette for other Plans For Term Assurance Plans 7.75% of prem NB related (₹ 150/- for Jette for other Plans Policy Related (₹ 150/- for Jette for other Plans For reduced & fully paid-up for other other for other Plans State For premium paying To other Plans (₹ 150/- for Jette for other Plans) State For premium paying To other Plans (₹ 150/- for Jette for other Plans) For premium paying for other for other for other Plans) To other Plans For other Plans) For premium paying for other for	LO/- per policy eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
For reduced & fully paid-up ₹21 2. Life- Non-participating Policies (12.20% for Jette for Jette for Term Assurance Plans Premium Related (12.20% for Jette for Jette for other Plans For Term Assurance Plans 7.75% of prem NB related (₹ 150/- for Jette for other Plans Policy Related (₹ 150/- for Jette for other Plans For premium paying (₹ 75/- for Jette for other Plans S. Annuities- Participating policies (₹ 110/-	LO/- per policy eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
2. Life- Non-participating Policies Premium Related Premium Related For Term Assurance Plans for oth 7.75% of prem For other Plans Policy Related (₹ 150/- for Je for oth For reduced & fully paid-up 3. Annuities- Participating policies Annuities in payment	eevan Mangal & 18.50% hers) of premium ium, 29.50% of premium ior Bima Account I & II evan Mangal & ₹ 420/-
Premium Related (12.20% for Je For Term Assurance Plans for oth 7.75% of prem 7.75% of prem For other Plans NB related f Policy Related (₹ 150/- for Je For premium paying for ot S. Annuities- Participating policies (₹ 110/-	ners) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
For Term Assurance Plans (12.20% for Jegen for oth for	ners) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
For Term Assurance Plansfor oth7.75% of prem7.75% of premFor other PlansNB related fPolicy Related(₹ 150/- for JeFor premium payingfor ot(₹ 75/- for Je(₹ 75/- for JeFor reduced & fully paid-upfor ot3. Annuities- Participating policies₹ 110/-	ners) of premium ium, 29.50% of premium for Bima Account I & II evan Mangal & ₹ 420/-
7.75% of prem For other Plans Policy Related Policy Related (₹ 150/- for Je For premium paying for ot (₹ 75/- for Je For reduced & fully paid-up S. Annuities- Participating policies Annuities in payment	ium, 29.50% of premium or Bima Account I & II evan Mangal & ₹ 420/-
For other Plans NB related f Policy Related (₹ 150/- for Je For premium paying for ot (₹ 75/- for Jee (₹ 75/- for Jee For reduced & fully paid-up for ot 3. Annuities- Participating policies ₹ 110/-	or Bima Account I & II evan Mangal & ₹ 420/-
Policy Related (₹ 150/- for Je For premium paying for ot For reduced & fully paid-up (₹ 75/- for Jee S. Annuities- Participating policies 110/-	evan Mangal & ₹ 420/-
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For premium paying for ot For reduced & fully paid-up (₹ 75/- for Jee S. Annuities- Participating policies 110/-	
For reduced & fully paid-up (₹ 75/- for Jee For reduced & fully paid-up for ot 3. Annuities- Participating policies ₹ 110/-	hare) par policy
For reduced & fully paid-up for ot 3. Annuities- Participating policies ₹ 110/-	hers) per policy
3. Annuities- Participating policies Annuities in payment ₹110/-	evan mangal & ₹210/-
Annuities in payment ₹ 110/-	hers) per policy
	- per policy p.a. &
3 120 10	or claim payments
3.90% of premi	um, ₹ 420/- per policy for
premium paying	g and ₹ 210/- per policy
During deferment	d up, fully paid & single
premium policie	es
4. Annuities – Non-participating policies	
	- per policy p.a. &
₹ 120 fc	or claim payments
3.90% of premi	um, ₹ 420/- per policy for
premium paying	g and ₹ 210/- per policy
During deferment	d up, fully paid & single
premium policie	es
5. Annuities- Individual Pension Plan	
Annuities in payment ₹ 110/-	- per policy p.a. &
₹ 120 fc	or claim payments
5% of premium	for endowment & 3.90%
of premium for	
	licy for premium paying
	r policy for reduced paid
	and single premium.
6. Non-linked Health	
Premium related	00/
	0% of premium
	0% of premium
Policy related	
	icy & ₹ 305/- for each life
	an principal insured
7. Unit Linked	
	4.0% of premium
	n plan, 7% & 10.5% NB
Premium Related depending of	ns 802 & 811 respectively
Premium Related depending of	
Premium Related depending of	
Premium Related depending or related for plan Policy Related For inforce plans	40/- per policy
Premium Related depending or related for plan Policy Related 54 For inforce plans ₹ 54	

		IRDA Pub
8. Linked Health Premium related		
New Busines	s 35.00% (of premium
Renewa		f premium
Policy related		
For premium payin	g ₹650/-	per policy
For reduced paid-up & SP policie		per policy
**Per policy inflation rate is 3%		
IV) Bonus Rates :	In respect of with pr	
		, future reversionary
	bonuses have been	
		el as at 31.03.2013
	bonus rates valued	
	Government Share	
	applicable on the da	
V) Policyholders Reasonable Expectations :	as at 31st March 20 Future bonuses value	
v) Policyholders Reasonable Expectations .	declared rates.	led at the current
VI) Taxation and Shareholder Transfers	2012-13: Qtr er	ding 31.03.2013
1. Life- Participating policies	13 518	7% & 5%
2. Life- Non-participating Policies		
3. Annuities- Participating policies	13.518	7% & 5%
4. Annuities – Non-participating policies		
5. Annuities- Individual Pension Plan	Exempted from tax & 5%	
6. Unit Linked		
7.Linked Health		
8.Non-linked Health		
Reported (IBNR) VIII)Change in Valuation Methods or Bases	 2012-13: Qtr ending 31.03.2013	
1. Individuals Assurances		
A. Life Participating Policies a. Interest	No Change	No Change
b. Expenses	No Change	No change
Premium Related	Increase by 1	50 basis points
Policy Related	increase by i	
For premium payin	a Increase	d by₹ 20/-
For reduced & fully paid-u		d by₹10/-
c. Inflation	No Change	
B. Life- Non-Participating policies		
a. Interest	Increase by 10	No Change
a. morea	basis points	No Change
b. Expenses		
Premium Related		
	Increase by 120 ba	sis points for Jeevan
For Term Assurance Plan		sis points for others
For other Plan	s Increase by 1	50 basis points
Policy Related		
For premium payin	Increased by ₹ 10/- for Jeevan Mangal & ₹ 20/- for others	
	Increased by ₹ 5/- for Jeevan Mangal &	
	₹ 10/- for others No Change	
For reduced & fully paid-u	No C	
c. Inflation	No C	nange
c. Inflation 2. Annuities & Pension	No C	nange
c. Inflation	No C	No change

b. Expenses	INDATOD	
Annuities in payment	Increase by ₹ 30 for per policy & no change in claim payment expense	
During deferment	Premium related - Increase by 165 basis points Policy related - Increase by ₹20/- for premium paying & ₹ 10/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation	No Change	
B. Non-Participating Policies		
a. Interest	No change No change	
b. Expenses		
Annuities in payment	Increase by ₹ 30/- for per policy & no change in claim payment expense	
During deferment	Premium related - Increase by 165 basis points Policy related - Increase by ₹20/- for premium paying & ₹ 10/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation	No change	
C. Individual Pension Plan		
a. Interest	Increase by 15 Increase by 15 basis points basis points	
b. Expenses		
Annuities in payment	Increase by ₹ 30/- for per policy & no change in claim payment expense	
During deferment	Premium related - No change for endowment option & increase by 165 basis points for other options Policy related - Increase by ₹ 20/- for premium paying & ₹ 10/- for reduced paid-up, fully paid-up & single premium policies	
c. Inflation	No change	
3. Non-linked Health		
a. Interest	No change No change	
b. Expenses		
Premium related		
New Business	No change	
Renewal	Increase by 1325 basis points	
Policy related	Inorocco by 7.00	
For premium paying For reduced paid-up & SP policies	Increase by ₹ 20 Increase by ₹ 10	
c. Inflation	No change	
4. Unit Linked	No onungo	
a. Interest	No change No change	
b. Expenses		
Premium Related	No Change	
Policy Related		
For inforce plans	Increase of ₹ 10/-	
For reduced paid up and SP plans		
NB policy related	Increase by ₹ 50 for plans 802	
c. Inflation	No Change	
5. Linked Health		
a. Interest	No change No change	
b. Expenses		
Premium related	No Change	
New Business Benewal	No Change	
Renewal	No Change	
Policy related For premium paying	Increase of ₹ 60/- per policy	
For reduced paid-up & SP policies	Increase of ₹ 30/- per policy	
c. Inflation	No Change	